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SUBJECT: WORKER UNREST IN BANGLADESH'S GARMENT SECTOR DURING
RAMADAN

SUMMARY

1. (SBU) Before and during the fasting month of Ramadan, workers in Bangladesh's highly-profitable apparel sector have staged demonstrations, agitating for wage increases to ease the hardship of high food prices, which traditionally rise around the time of Ramadan. Business leaders have responded in a mixed fashion to the workers, with one garment-manufacturing association pledging to increase wages. Labor activists, however, maintain that the minimum wage should be increased across the board and that government restrictions on trade union activity under the country's current State of Emergency prevent peaceful resolution of disputes.

WORKERS FEAR HIGHER PRICES DURING RAMADAN

2. (U) Workers in Bangladesh's lucrative ready-made garment (RMG) sector have staged numerous strikes in recent weeks, calling on factory owners to increase wages and give Ramadan bonuses. Thousands of workers at more than 50 factories staged demonstrations in the last month, according to media reports. Virtually all the demonstrations resulted in damage to apparel factories, while some blocked highways and resulted in injuries to striking workers and police called in to contain the demonstrators.

3. (SBU) Rumors of worker mistreatment or death have sparked many of the recent strikes. In most cases the allegations of injury or death prove to be unfounded, and observers report the underlying reason for unrest in the RMG sector is inadequate salaries. Some press reports have also sought to blame NGOs for inciting the unrest. RMG workers, who earn on average USD 25-35 per month, have been hard hit by high food prices; according to the World Bank, the price of rice alone has increased by 60 percent in the last year. (NOTE: Wages are higher in Bangladesh's export processing zones (EPZs), and virtually all of the recent unrest has occurred outside the EPZs. END NOTE.) An apparel manufacturer admitted privately that workers spend as much as 80 percent of their wages on food and that inflation of food prices over the last year has meant most workers cannot afford sufficient food for their families.

BUSINESS AND GOVERNMENT RESPOND

4. (SBU) The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), which represents some 1,500 factories that employ more than 800,000 workers, has proposed a 20 percent raise in base pay in response to the workers' plight. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), which represents

some 4,000 factories that employ many of the country's 2.5 million garment workers, initially rejected this proposal, but eventually signed on. According to BKMEA and BGMEA, they are working with the Government of Bangladesh to finalize the deal; business leaders said the GOB would announce the wage increase in a matter of days. Business leaders criticized the GOB for failing to contain protestors and prevent damage to their factories. In the aftermath of recent unrest, some owners have threatened to close their factories if the GOB proved incapable of protecting them from worker unrest.

15. (SBU) In response to worker concerns about price hikes during Ramadan, the apparel associations have set up kiosks to sell subsidized rice and pulses to workers. Once a week workers with their factory ID can purchase rice and pulses for about 25 percent less than the market price. BKMEA leaders said this initiative was an important gesture to workers; BKMEA offered discounted rice to workers last year during Ramadan and earlier this year between rice harvests. While BGMEA is doing the same for its workers during Ramadan this year, its leaders grumbled that "we are in the garment business, not the food business."

LABOR GROUPS SAY IT'S NOT ENOUGH

16. (SBU) Labor activists told us the unrest was a result of low wages and a ban on trade union activities. Since the imposition of a State of Emergency in January 2007, Bangladesh's Caretaker Government has banned all labor union activities, which labor groups maintain has prevented constructive resolution of disputes. (NOTE: The GOB on September 8 announced a partial relaxation of the ban;

DHAKA 00000980 002 OF 002

more details on this development will be provided septel. END
NOTE.)

17. (SBU) Labor leaders said the pay hike proposed by BKMEA will bring negligible benefits to the workers; they said any pay increase should be based on gross pay not base pay. They also pointed out the proposed increase would not change the minimum wage, which has been 1,663 taka (about USD 25) since 2006. They also claimed the subsidized rice program was merely a publicity stunt that would not truly benefit the workers.

COMMENT

18. (SBU) Wages for garment workers in Bangladesh are among the lowest in Asia. Low labor costs are the key to the sector's competitiveness, and business leaders are reluctant to increase wages in the face of high energy and transport costs and pressure from buyers to keep costs down. That said, there is no question that garment workers are struggling to make ends meet in an inflationary environment.

19. (SBU) Worker agitation around Ramadan is not unusual, and local experts agree the current levels of unrest do not yet exceed previous years' activity. However, if government and business fail to address worker concerns, unrest could continue and increase. Political parties in the past have channeled worker discontent into protests against the government. The Caretaker Government is likely to be mindful of this history as it continues its negotiations with political parties in the run-up to elections scheduled for December.

Moriarty